

§ 203.1

30 CFR Ch. II (7–1–11 Edition)

this chapter on each lease participating in the application. Sunk costs include rig mobilization and material costs for the discovery wells that you incurred before their spud dates.

Ultra-deep well means either an original well or a sidetrack completed with a perforated interval the top of which is at least 20,000 feet TVD SS. An ultra-deep well subsequently re-perforated less than 20,000 feet TVD SS in the same reservoir is still an ultra-deep well.

Withdraw means action we take on a field that has qualified for relief if you have not met one or more of the performance conditions.

[63 FR 2616, Jan. 16, 1998, as amended at 67 FR 1872, Jan. 15, 2002; 69 FR 3509, Jan. 26, 2004; 69 FR 24053, Apr. 30, 2004; 73 FR 69504, Nov. 18, 2008]

§ 203.1 What is MMS's authority to grant royalty relief?

The Outer Continental Shelf (OCS) Lands Act, 43 U.S.C. 1337, as amended by the OCS Deep Water Royalty Relief Act (DWRRA), Public Law 104-58 and the Energy Policy Act of 2005, Public Law 109-58 authorizes us to grant royalty relief in four situations.

(a) Under 43 U.S.C. 1337(a)(3)(A), we may reduce or eliminate any royalty or a net profit share specified for an OCS lease to promote increased production.

(b) Under 43 U.S.C. 1337(a)(3)(B), we may reduce, modify, or eliminate any royalty or net profit share to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases. This authority is restricted to leases in the GOM that are west of 87 degrees, 30 minutes West longitude, and in the planning areas offshore Alaska.

(c) Under 43 U.S.C. 1337(a)(3)(C), we may suspend royalties for designated

volumes of new production from any lease if:

(1) Your lease is in deep water (water at least 200 meters deep);

(2) Your lease is in designated areas of the GOM (west of 87 degrees, 30 minutes West longitude);

(3) Your lease was acquired in a lease sale held before the DWRRA (before November 28, 1995);

(4) We find that your new production would not be economic without royalty relief; and

(5) Your lease is on a field that did not produce before enactment of the DWRRA, or if you propose a project to significantly expand production under a Development Operations Coordination Document (DOCD) or a supplementary DOCD, that MMS approved after November 28, 1995.

(d) Under 42 U.S.C. 15904–15905, we may suspend royalties for designated volumes of gas production from deep and ultra-deep wells on a lease if:

(1) Your lease is in shallow water (water less than 400 meters deep) and you produce from an ultra-deep well (top of the perforated interval is at least 20,000 feet TVD SS) or your lease is in waters entirely more than 200 meters and entirely less than 400 meters deep and you produce from a deep well (top of the perforated interval is at least 15,000 feet TVD SS);

(2) Your lease is in the designated area of the GOM (wholly west of 87 degrees, 30 minutes west longitude); and

(3) Your lease is not eligible for deep water royalty relief.

[63 FR 2616, Jan. 16, 1998, as amended at 73 FR 69506, Nov. 18, 2008]

§ 203.2 How can I obtain royalty relief?

We may reduce or suspend royalties for Outer Continental Shelf (OCS) leases or projects that meet the criteria in the following table.

If you have a lease . . .	And if you . . .	Then we may grant you . . .
(a) With earnings that cannot sustain production (<i>i.e., End-of-life lease</i>).	Would abandon otherwise potentially recoverable resources but seek to increase production by operating beyond the point at which the lease is economic under the existing royalty rate.	A reduced royalty rate on current monthly production and a higher royalty rate on additional monthly production. (See §§ 203.50 through 203.56.)
(b) Located in a designated GOM deep water area (<i>i.e., 200 meters or greater</i>) and acquired in a lease sale held before November 28, 1995, or after November 28, 2000.	Propose an expansion project and can demonstrate your project is uneconomic without royalty relief.	A royalty suspension for a minimum production volume plus any additional production large enough to make the project economic (see §§ 203.60 through 203.79).